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EXPLANATORY NOTE



LAFARGE AFRICA PLC

RC 1858

EXPLANATORY NOTE TO SHAREHOLDERS OF LAFARGE AFRICA PLC ON THE PROPOSED RELATED PARTY TRANSACTIONS WITH CARICEMENT B.V. AND HOLDERFIN B.V. PURSUANT TO THE NIGERIAN STOCK EXCHANGE RULES GOVERNING TRANSACTIONS WITH RELATED PARTIES OR INTERESTED PERSONS

This Explanatory Note has been prepared to provide all the material information to *all* the Shareholders of Lafarge Africa Plc. ("Lafarge Africa" or "LAP" or "the Company"), in respect of the Special Business to be considered at the Extra-Ordinary Meeting ("EGM"), in the accompanying Notice.

1. Background

LafargeHolcim ("LH" or the "Group") is the parent company of Lafarge Africa, with a 76.32% shareholding. LH is invested in Lafarge Africa through the following wholly owned subsidiaries: Caricement B.V., Associated International Cement Ltd (UK) and Lafarge Associated Nigeria Limited.

Lafarge Africa was indebted to LH in the sum of US\$659.2m, prior to the conclusion of the Rights Issue which was launched in 2017. This outstanding sum largely represented the balance of the short term intercompany loans advanced by Holcim Group to United Cement Company of Nigeria Limited ("Unicem"), prior to Holcim Group's global merger with Lafarge S.A.

Following Lafarge Africa's 100% acquisition of the equity of Unicem and the subsequent merger of Unicem into Lafarge Africa, Lafarge Africa has assumed the position of the borrower. The intercompany loans were advanced to Lafarge Africa by two wholly owned subsidiaries of LH - Caricement B.V. (US\$571.2m) and Holderfin B.V. (US\$88m) for the completion of Lines 1 and 2 of the 5 million metric tonne per annum cement plant at Unicem's Mfamosing Cement Plant in Calabar, Cross Rivers State and the purchase of 15% equity in Unicem previously held by Flour Mills of Nigeria Plc.

Table 1: Outstanding Shareholder Loan - Prior to 2017 Rights Issue¹

Name of Shareholder	Shareholder Loan (US\$'m)
Caricement B.V.	571.2
Holderfin B.V.	88.0
Total Shareholder Loan	659.2

Under the terms of the Rights Issue which was concluded in December 2017, any creditor shareholder could subscribe to their Rights by way of a debt to equity conversion. Consequently, Caricement B.V. converted c.US\$262m of the shareholder loan advanced to Lafarge Africa to equity (by way of payment for their Rights subscription); leaving a balance of US\$309.2m.

Post the Rights Issue, a further sum of US\$82m was repaid to Caricement B.V. The balance now outstanding to Caricement B.V is US\$227.2m, in addition to the US\$88m due to Holderfin B.V. Consequently, the balance of the Lafarge Africa shareholder loan - due to LH - currently stands at US\$315.2m.

The shareholder loans are hedged against fluctuations in the foreign currency exchange rates using the Non-Deliverable Forward (NDF) contract provided by the Central Bank of Nigeria (CBN).

¹ Appendix 1, a schematic of the Lafarge Africa Related Party Loan

Table 2: Schedule of Current Balance of Shareholder Loan

	Shareholder Loan (US\$'m)
Caricement B.V. – Pre Rights Issue	571.2
Rights Issue Debt to Equity Conversion	(262.0)
Debt Repayment	(82.0)
Caricement B.V. – Post Rights Issue	227.2
As at July 2018	
Caricement B.V.	227.2
Holderfin B.V.	88.0
Total Shareholder Loan	315.2

2. Existing Terms of Intercompany Loan

The intercompany loans are a result of three (3) short term loan arrangements between Lafarge Africa and LH, the current terms of which are summarized below:

	Lender	Amount	Interest Rate	Tenor	Maturity
A	Caricement BV	US \$7.2m	6 Month Libor + 5.71%	5 Months	28 November, 2018
B	Caricement BV	US \$220.0m	6 Month Libor + 5.71%	5 Months	28 November, 2018
C	Holderfin BV ¹	US \$88.0m	3 Month Libor + 5.71%	3 Months	26 September, 2018

¹ Holderfin BV has agreed to assign its lender position (and rights to the loan) to Caricement B.V. at maturity

3. The Proposed Debt Restructuring

Lafarge Africa is in discussions with LH on the restructuring of the US\$315.2m - being the balance of the intercompany loan presently outstanding - without having to increase the principal amount owed by Lafarge Africa and without the Lenders (Caricement B.V. and Holderfin B.V.) having to advance any additional principal sums to the Company.

Pursuant to the original facility granted by the Lenders and the subsequent, respective amendments, Lafarge Africa and the Lenders are discussing an arrangement for restructuring the outstanding loans whereby the US\$220m due to Caricement BV is split into eight (8) separate facilities (the "Split Transactions") to facilitate repayment by Lafarge Africa as and when the Company's cashflows permit. The summary of the proposed restructuring is as follows:

Table 4: Summary of the proposed restructuring of loan facilities

	Lender	Amount	Interest Rate	Interest Rate – Post Moratorium	Tenor	Moratorium	Maturity
A	Caricement BV	US \$7.2m*	1 Month Libor + 5.71%	Not Applicable	1 Month	Not Applicable	27 December, 2018*
B	Caricement BV	US \$220.0m					
	Part A-1	US \$25.0m	12 Month Libor + 6.35%	3 Month Libor + 6.35%	7.5 years	2 years + 1 day	26 February 2026
	Part A-2	US \$25.0m	12 Month Libor + 6.35%	3 Month Libor + 6.35%	7.5 years	2 years + 1 day	26 February 2026
	Part A-3	US \$25.0m	12 Month Libor + 6.35%	3 Month Libor + 6.35%	7.5 years	2 years + 1 day	26 February 2026
	Part A-4	US \$25.0m	12 Month Libor + 6.35%	3 Month Libor + 6.35%	7.5 years	2 years + 1 day	26 February 2026
	Part A-5	US \$25.0m	12 Month Libor + 6.35%	3 Month Libor + 6.35%	7.5 years	2 years + 1 day	26 February 2026
	Part A-6	US \$30.0m	12 Month Libor + 6.35%	3 Month Libor + 6.35%	7.5 years	2 years + 1 day	26 February 2026
	Part A-7	US \$50.0m	12 Month Libor + 6.35%	3 Month Libor + 6.35%	7.5 years	2 years + 1 day	26 February 2026
	Part A-8	US \$15.0m*	3 Month Libor + 5.71%	Not Applicable	1 Month	Not Applicable	27 December, 2018*
C	Caricement BV	US \$88.0m	12 Month Libor + 6.35%	3 Month Libor + 6.35%	7.5 years	2 years + 1 day	26 February 2026

*December 27, 2018 or any other date as may be agreed by parties

A Rights Issue is being proposed by the Board of Directors, which will be launched in 2018. LH will take the opportunity of the Rights Issue to convert the loans referenced as A & B (Part A-8) - amounting to US\$22.2m (US\$7.2m + US\$15.0m) - to equity, if the proposal of the Board of Directors to launch a Rights Issue of ₦90bn, is approved by the shareholders at the EGM. The maturity of the loans has been scheduled to coincide with the estimated timing of regulatory approval of the allotment proposal; that will be presented to the Securities & Exchange Commission, subsequent to the closure of subscriptions to the Rights Issue.

4. **Additional Short Term Facility**

An additional loan - Facility D - is a Short Term standby financing facility that Lafarge Africa is proposing to obtain from Caricement B.V., which will help bridge working capital requirements; and will be drawn only as required and on the approval of the Board of Directors further to the approval of the related party transaction by the shareholders at the EGM.

	Lender	Amount	Interest Rate	Interest Rate – Post Moratorium	Tenor	Moratorium	Maturity
D	Caricement BV	US \$20.0m**	3 Month Libor + 5.71%	Not Applicable	1 year	Not Applicable	26September 2019**

5. **Benefits of the Restructured Facility and Additional Short Term Facility**

The terms of the proposed restructured loans will provide flexibility in terms of Lafarge Africa’s present financing arrangements, particularly regarding the two (2) year moratorium granted on the long term loans. Furthermore, as regards the repayment of the loan, Lafarge Africa’s repayment obligation of September 26, 2018 and November 28, 2018 will be extended; given the 7.5 year restructured tenor. The shorter tenored loans will be repaid from the cash generated through the proposed Rights Issue as well as from the Company’s operations.

As indicated above, the restructuring of the loans will improve Lafarge Africa’s cashflows; given the moratorium and extended repayment period.

6. **Independent Expert Fairness Opinion**

The Nigerian Stock Exchange’s Rules Governing Transactions with Related Parties or Interested Persons (“the Rules”) - in particular - Rule 5.0 (4) (a) (i) and (ii) - require that an Independent Financial Adviser provide an opinion on whether the related party transaction “is executed on normal commercial terms and is prejudicial to the interest of the Issuer (in this case, Lafarge Africa) and its minority Shareholders.’

Pursuant to The Rules, Lafarge Africa appointed PricewaterhouseCoopers (“PwC”) for the purposes of obtaining the Independent Financial Adviser’s opinion on the proposed restructuring of the LH intercompany loans to Lafarge Africa in line with the provisions of the Rules.

PwC issued a report on August 16, 2018 and have advised as follows:

‘Having regard to the considerations set out in this letter and the information available to us as at the time of issuing this letter, we report that the proposed terms of the loans (and in particular the proposed interest rates) reflect normal commercial terms and will not be prejudicial to the interests of LAP and its minority Shareholders..’

An overview of PwC’s review is also set out below:

'We reviewed the draft loan agreements containing the proposed terms of the loans in order to determine whether the transaction will be carried out on normal commercial terms and would not be prejudicial to the interest of LAP and its minority shareholders. In particular, we evaluated the proposed interest rate alongside the key terms of the loan to determine if the proposed interest rate was in line with normal commercial terms.

Our methodology followed the arm's length principle. This is the widely accepted principle for evaluating the appropriateness of the terms of transaction and prices agreed between related parties. It is also the principle that is prescribed by the Nigerian Income Tax (Transfer Pricing) Regulations No.1 2012, and the OECD's Transfer Pricing Guidelines 2017¹.

In order to assess the reasonability of the interest rate we did the following:

- i. Estimated the credit rating of LAP;
- ii. Carried out a search to identify comparable loan agreements between independent lenders and independent borrowers with credit ratings comparable to LAP;
- iii. Performed relevant comparability adjustments to ensure that these independent loan transactions are reasonably comparable to the loans to LAP;
- iv. Identified the range of interest rates that could be considered to be arm's length and commercial; and
- v. Compared this range to the proposed rates to be charged to LAP.

The full text of PwC's Independent Expert Fairness Opinion is set out in Appendix 2.

7. Concurrence of Lafarge Africa's Audit Committee

The Company has provided the Audit Committee with copies of the agreements that Lafarge Africa proposes to execute with Caricement B.V and Holderfin B.V. The Independent Expert Fairness Opinion prepared by PwC has also been presented to the Audit Committee.

At a meeting of the Company's Audit Committee held on August 23, 2018; at which the members of the Audit Committee discussed the proposed restructure and have confirmed their concurrence with the opinion expressed by PwC, the independent Financial Adviser; and consequently, the Audit Committee *will not* be issuing a separate opinion on the Related Party Transaction.

8. Meeting to Approve the Related Party Transaction

An Extra-Ordinary General Meeting ("EGM") of Lafarge Africa is scheduled to hold on September 24, 2018.

At the EGM, the shareholders of Lafarge Africa will consider and, if thought fit, approve the Related Party Transaction which will authorize Lafarge Africa to execute such agreements as are required; evidencing the terms of the restructured loans between Lafarge Africa and Caricement B.V and Holderfin B.V., respectively.

At the EGM, each shareholder - eligible to vote - will be entitled to cast their votes.

LafargeHolcim - the majority shareholder in Lafarge Africa, in compliance with the requirements of The NSE Rules Relating to Board Meetings and General Meetings of Issuers - has informed Lafarge Africa that, as a related party, the Group, its nominee, associate, related party, or other party acting in concert, *will not* exercise its right to vote at the EGM.

In the event that the resolutions are approved by the shareholders, Lafarge Africa will execute the respective agreements with Caricement B.V and Holderfin B.V.

9. **Action To Be Taken**

Attendance at the meeting, for purposes of voting on the resolution that will be proposed to shareholders. In the alternative, the submission of a Proxy Form for purposes of voting at the meeting should attendance not be possible. The attached form should be duly completed and returned to the Registrars not later than 48 hours before the date of the EGM.

The submission of the Proxy Form will not preclude attendance at the meeting, although the submitted Proxy Form will not be valid for voting purposes in that circumstance.



LAFARGE AFRICA PLC

RC 1858

NOTICE OF EXTRA-ORDINARY GENERAL MEETING



NOTICE IS HEREBY GIVEN that an Extra-Ordinary General Meeting of Lafarge Africa Plc (“the Company”) will hold at 9:00 a.m. on Tuesday September 25, 2018 at MUSON Center (Shell Hall), Marina, Lagos to consider, and if thought fit, pass the following resolutions of the Company:

SPECIAL BUSINESS

Ordinary Resolutions

1. Approval of Appointment of Director

To approve the appointment of Mr. Rossen Papazov as a Non-Executive Director

2. Approval of Rights Issue and Debt-to-Equity Conversion

To consider and if thought fit, pass with or without amendment, the following sub-joined resolutions:

THAT, further to the approval of the shareholders of the Company – obtained at the 59th Annual General Meeting of the Company held on May 16, 2018 - by which the Company is duly authorised to raise additional capital of up to ₦100,000,000,000 (One Hundred Billion Naira) by way of equity and/or debt (and subject to obtaining the approval of the relevant regulatory authorities):

- (a) The Directors be and are hereby authorised to raise capital of ₦90,000,000,000 (Ninety Billion Naira) by way of a Rights Issue of ordinary shares to its shareholders (“Rights Issue”) and that the Rights Issue be executed at such price, time, for such period and on such other terms and conditions as the directors may deem fit;
- (b) That subject to complying with applicable regulatory requirements, the Directors be and are authorised to apply any convertible loan, shareholder loan or any other loan facility due to any person, from the Company, as may be agreed by the person and the Company, towards payment for any shares or rights subscribed for in the Rights Issue;
- (c) That the Directors be and are hereby authorised to approve, sign and/or execute all documents, appoint such professional parties and advisers, as may be necessary to give effect to the above resolutions, including without limitation, complying with the directives of any regulatory authority. Following allotment by the Board of Directors, the new shares issued by the Company pursuant to the Rights Issue be listed on the Nigerian Stock Exchange;
- (d) That all acts carried out by the Directors and/or management of the Company in connection with the above are hereby approved and ratified; and
- (e) That the Directors be authorised to perform other acts, take other steps or do all such other things as may be necessary for or incidental to, or as they deem appropriate to giving effect to the spirit and intendments of the above resolutions.

3. Approval of Related Party Transaction

To consider and, if thought fit, to pass, with or without amendment, the following resolution:

‘That the Company be and is hereby authorised to enter into a related party transaction with LafargeHolcim (its parent company) through Caricement B.V and to accept the facility; the details of which have been circulated to the shareholders by way of the Explanatory Note issued pursuant to The Nigerian Stock Exchange’s Rules Governing Transactions with Related Parties or Interested Persons.

4. Other Acts

- (a) The Directors and/or management of the Company be and are hereby authorised to approve, sign and/or execute all documents, appoint such professional parties and advisers, as may be necessary to give effect to the above resolutions, including without limitation, complying with the directives of any regulatory authority and all acts carried out, steps taken and documents executed (or to be executed), by the Directors and/or management of the Company in connection with the above resolutions be and are hereby approved.
- (b) The Company Secretary be and is hereby authorised to take all steps to give effect to these resolutions and, where applicable, to file and/or register same with the Corporate Affairs Commission.

Special Resolutions

5. Increase in Authorised Share Capital

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a special resolution:

That the Authorised Share Capital of the Company be and is hereby increased from ~~₦5,000,000,000~~ to ~~₦10,000,000,000~~ by the creation of 10,000,000,000 additional ordinary shares of 50 kobo each, ranking pari passu in all respects with the existing ordinary shares of the Company and that the new shares thus created be registered with the Securities & Exchange Commission and consequently that the Memorandum of Association of the Company be amended accordingly.

6. Amendment of the Memorandum of Association

Pursuant to the increase in the authorized share capital of the Company, that the Memorandum of Association of the Company be and is hereby amended by:

- (i) *Deleting Clause 6 and substituting it with the following new clause:*
"THAT the Share Capital of the Company is ~~₦10,000,000,000.00~~ divided into 20,000,000,000 Ordinary Shares of 50k each; and
- (ii) *Adding the following to "Rider A" of the said Memorandum of Association:*
- (iii) *"By a Special Resolution passed at the Extra-Ordinary General Meeting of the Company convened and held on September 25, 2018 the authorised capital of the Company was increased from ~~₦5,000,000,000.00~~ to ~~₦10,000,000,000~~ by the creation of an additional 10,000,000,000 Ordinary Shares of 50k each.*

Profile of Rossen Papazov

Mr. Rossen Papazov is the Country Chief Executive Officer (CEO) of Lafarge South Africa Holdings. He joined LafargeHolcim Group in year 2000 as a Business Development Manager. Before then, he worked at the World Bank as a Financial Management Specialist in Sofia, Bulgaria and as a Senior Associate at Arthur Andersen. Rossen holds an MBA from the prestigious International Institute for Management Development, Lausanne, Switzerland and he is a Fellow of the Association of Certified Chartered Accountants, Glasgow, UK. He joined the Board of Lafarge Africa on July 21, 2018.

Notes

Proxy

A person entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not also be a member of the company. A proxy form is attached to this notice. All instruments of proxy must be duly executed and deposited at the offices of the Registrar - Cardinal Stone Registrars Limited, 358 Herbert Macaulay Way, Yaba, Lagos - not later than 48 hours before the date of the meeting.

Closure of Register

The Register of Members and Transfer Books will be closed from Monday September 3, 2018 to Wednesday September 5, 2018 - both days inclusive - for purposes of updating the Register.

Circular on Disclosure of Related Party Transaction

The Nigerian Stock Exchange's ("the NSE's") Rules Governing Transactions with Related Parties or Interested Persons require that the issuer of securities (in this instance, Lafarge Africa Plc), obtain the approval of securities holders (the shareholders of Lafarge Africa Plc) for any interested person transaction that is within the NSE's threshold. The attached Explanatory Note outlines the related party transaction in respect of which a resolution is to be proposed and passed at the Extra-Ordinary General Meeting convened by this notice.

Right to Ask Questions

In line with Rule 19.12, The Rule Book of The Exchange, 2015, Part II, Issuers' Rules, Shareholders of the Company have the right to ask questions not only at the Annual General Meeting but also in writing prior to the meeting; written questions must be submitted to the Company Secretary at least 48 hours before the General Meeting at No. 27B Gerrard Road, Ikoyi, Lagos, Nigeria or by email to investorrelations.ng.tech@lafargeholcim.com

Exclusion from Voting

LafargeHolcim - the majority shareholder in Lafarge Africa, in compliance with the requirements of The NSE Rules Relating to Board Meetings and General Meetings of Issuers - has informed Lafarge Africa that, as a related party, the Group, its nominee, associate, related party, or other party acting in concert, *will not* exercise its right to vote at the EGM. Accordingly, LafargeHolcim is excluded from voting at the EGM

BY ORDER OF THE BOARD



ADEWUNMI ALODE

Company Secretary
FRC/2018/ICSAN/00000017796

Dated this 2018

Registered Office Address

27B Gerrard Road
Ikoyi, Lagos



PROXY FORM

EXTRA-ORDINARY GENERAL MEETING of Lafarge Africa Plc holding at MUSON Center (Shell Hall), Marina, Lagos on Tuesday September 25, 2018 at 9:00 a.m..

I/We of being a member/members of Lafarge Africa Plc hereby appoint.....or failing him, the Chairman of the Meeting as my/our proxy to act and vote for me/us and on my/our behalf at the Extra- Ordinary General Meeting of the Company to be held on Tuesday September 25, 2018 or at any adjournment thereof.

Dated this day of, 2018

Shareholder’s Signature.....
 (A Corporation must execute and affix a Common Seal)

SPECIAL BUSINESS		
Ordinary Resolution	For	Against
<p>1. Approval of Appointment of Director <small>ORDINARY BUSINESS</small> To approve the appointment of Mr. Rossen Papazov as a Non-Executive Director</p>		
<p>2. Approval of Rights Issue and Debt-to-Equity Conversion <i>That the Directors be and are hereby authorised to raise capital of N90,000,000,000 (Ninety Billion Naira) by way of a Rights Issue and the Directors are authorised to apply any convertible loan, shareholder loan or any other loan facility due to any person, from the Company, as may be agreed by the person and the Company, towards payment for any shares or rights subscribed for in the Rights Issue</i></p>		
<p>3. Approval of Related Party Transaction <i>That the Company be and is hereby authorised to enter into a related party transaction with LafargeHolcim (its parent company) through Caricement B.V. and Holderfin B.V.</i></p>		
<p>4. Approval and ratification of Acts of Directors <i>That all acts carried out by the Directors and/or management of the Company in connection with the Rights Issue are approved and ratified; and the Directors are authorised to take other steps or do all such other things as may be necessary for or incidental to, or as they deem appropriate to giving effect to the Rights Issue</i></p>		
Special Resolutions		
<p>5. Increase in Authorised Share Capital <i>That the Authorised Share Capital of the Company be and is hereby increased from ₦5,000,000,000 to ₦10,000,000,000 by the creation of 10,000,000,000 additional ordinary shares of 50 kobo each, ranking pari passu in all respects with the existing ordinary shares of the Company;</i></p>		
<p>6. Amendment of the Memorandum of Association <i>That pursuant to the increase in the authorized share capital of the Company, the Memorandum of Association of the Company be amended to reflect the new share capital</i></p>		

Please indicate how you wish your vote to be cast at the Extra-Ordinary General Meeting by indicating 'x' as appropriate



- a. A member (shareholder) entitled to attend and vote at the meeting is entitled to appoint a proxy in his stead
- b. In the case of joint shareholders, any of such may complete the form, but the names of all joint shareholders must be stated.
- c. If the shareholder is a corporation, this form must be under the common seal or under the hand of some office or attorney duly authorized on their behalf.
- d. Provisions have been made on this form for the chairman of the meeting to act as your proxy, but if you wish, you may insert in the blank spaces on the form (marked*) the name of any person whether a member of the company or not who will attend the meeting and vote on your behalf instead of the chairman of the meeting.
- e. All instruments of proxy must be duly stamped by the Commissioner for Stamp Duties and deposited at the office of the Registrar not later than 48 (forty-eight) hours before the date of the meeting.
- f. The proxy must produce the Admission Form sent with the notice of the meeting to obtain entrance to the meeting

Before posting the above form, please tear off this part and retain it for admission to the meeting



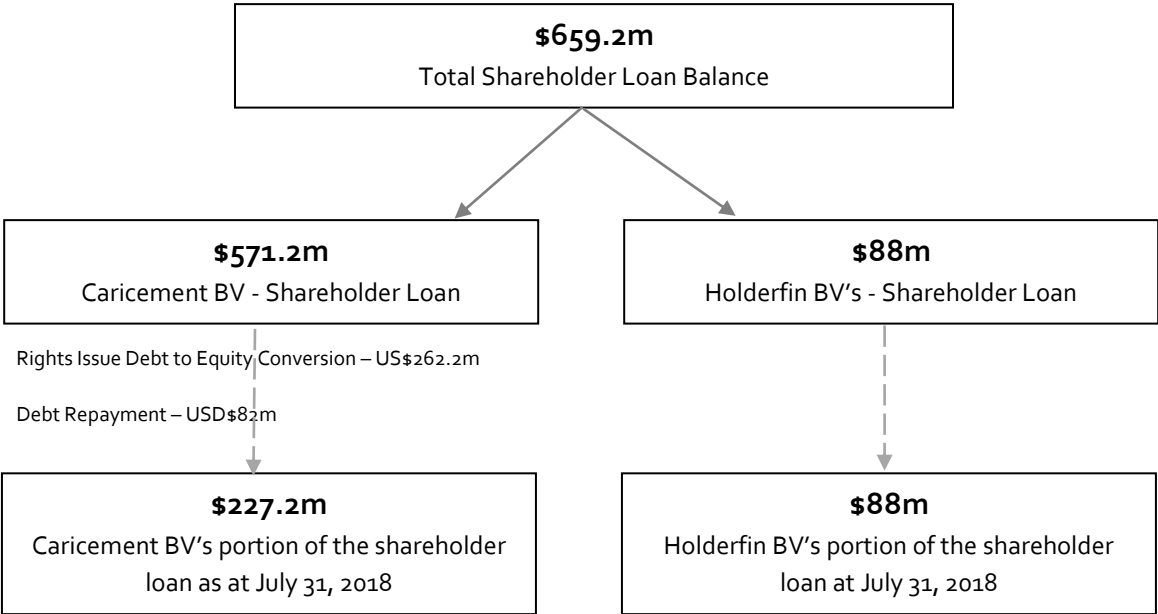
ADMISSION FORM

Please admit the shareholder named on this Admission Form or his duly appointed proxy to the Extra-Ordinary General Meeting to be held at the [...] on [September 24, 2018] at 10:00 [...]

Name of Shareholder	
No of Shares	

Signature of Person Attending** _____

**** You are required to sign this card at the venue of the EGM, in the presence of the Registrars**



REPORT OF THE INDEPENDENT FINANCIAL ADVISER TO THE DIRECTORS OF LAFARGE AFRICA PLC ON INTERESTED PARTY TRANSACTIONS

16 August 2018

1. INTRODUCTION

PricewaterhouseCoopers Limited (PwC Ltd) has, in line with the Nigerian Stock Exchange Rules governing transactions with Related Parties or Interested Person transactions (“the IPT Rules”), been appointed as the Independent Financial Adviser (IFA) to the directors / executive management of Lafarge Africa Plc (LAP or the Company).

The IPT rules seek to protect the interest of minority shareholders by guarding LAP, against the risk of being influenced by interested persons to enter into transactions with such persons, which may adversely affect the interest of LAP or its shareholders. The IPT rules define interested persons (related parties) to include the director, chief executive officer or controlling shareholder of LAP as well as anyone connected to these persons and applies to transactions between such persons and LAP.

The IPT rules require LAP to obtain the approval of security holders for interested party transactions of a value equal to or more than 5% of the group’s latest audited net tangible assets or 5% of the issued share capital.

The rules further require LAP to issue a Circular containing the Scheme of Transaction in respect of the related party transaction. Amongst other things, the Circular must include an opinion from the IFA on whether the transaction is executed on normal commercial terms and is prejudicial to the interest of LAP and its minority shareholders.

2. NATURE OF PROPOSED TRANSACTION

The transactions covered by this report are the intercompany loans described below.

LAP currently has intercompany loans payable to Caricement B.V and Holderfin B.V as summarized below.

Lender	Principal M’USD	Repayment due date
Caricement B.V	220	28 September 2018
Caricement B.V	7.197	28 November 2018
Holderfin B.V	88	28 September 2018

LAP intends to restructure these loans and take on additional borrowing. Most of the loans will become long term loans. The details of the proposed arrangement are set out below:

PricewaterhouseCoopers Limited

5B Water Corporation Road, Victoria Island

P O Box 2419, Lagos, Nigeria. T: +234 1 271 1700, www.pwc.com/ng

TIN: 00290010-0001 RC39418

Directors: S Abu, O Adekoya, O Adeola, W Adetokunbo-Ajayi, S Adu, E Agbeyi, UN Akpata, O Alakhume, I Aruofor, K Asante-Poku (Ghanian), C Azobu, R Eastaugh (South African), E Erhie, K Erikume, M Iwelumo, D McGraw (American), U Muogilim, A Nevin (Canadian), PK Ngahu (Kenyan), P Obianwa, B Odiaka, T Ogundipe, C Ojechi, M Olajide, O Oladipo, P Omontuemhen, O Osinubi, T Oyedele, AB Rahji, O Ubah, A Ugarov (American), C Uwaegbute, D Yusuf



- (a) The USD220m will be split into 8 parts comprising:
 - i. USD205m split into 7 parts with each part having a tenor of 7.5 years and a moratorium of 2 years; and
 - ii. USD15m for a tenor of 3 months;
- (b) The USD7.197m will have an additional tenor of 1 month.
- (c) The USD88m will have a tenor of 7.5 years with 2 year moratorium; and
- (d) In addition to the above, LAP intends to obtain a standby short term facility of up to USD20m from Caricement B.V for a tenor of one year.

We have provided further details of the terms of the proposed loans in Appendix 1.

3. RATIONALE FOR, AND BENEFIT OF TRANSACTION TO LAP

Under the proposed arrangement, LAP will enjoy a two year moratorium on the long term loans. In addition, LAP will no longer be required to repay the loans in September and November 2018 but will be able to spread the repayment over 7.5 years. The remaining short term loans will be repaid from cash inflows from a rights issue and from cash generated from the operations of the company.

The new loan arrangements will provide LAP with improved cash flows due to the moratorium and extended repayment period. The available cash that has been freed up is required for and will be used by LAP for its day to day business operations.

4. COMMERCIAL TERMS OF THE PROPOSED TRANSACTION

We have summarised the proposed commercial terms in Appendix 1.

5. OUR REVIEW

We reviewed the draft loan agreements containing the proposed terms of the loans in order to determine whether the transaction will be carried out on normal commercial terms and would not be prejudicial to the interest of LAP and its minority shareholders. In particular, we evaluated the proposed interest rate alongside the key terms of the loan to determine if the proposed interest rate was in line with normal commercial terms.

Our methodology followed the arm's length principle. This is the widely accepted principle for evaluating the appropriateness of the terms of transaction and prices agreed between related parties. It is also the principle that is prescribed by the Nigerian Income Tax (Transfer Pricing) Regulations No.1 2012, and the OECD's Transfer Pricing Guidelines 2017¹.

In order to assess the reasonability of the interest rate we did the following:

- i. Estimated the credit rating of LAP;
- ii. Carried out a search to identify comparable loan agreements between independent lenders and independent borrowers with credit ratings comparable to LAP;

¹ The OECD means the Organisation for Economic Cooperation and Development. The OECD Transfer Pricing Guidelines provides guidance on the application of the arm's length principle.





- iii. Performed relevant comparability adjustments to ensure that these independent loan transactions are reasonably comparable to the loans to LAP;
- iv. Identified the range of interest rates that could be considered to be arm's length and commercial; and
- v. Compared this range to the proposed rates to be charged to LAP.

6. OUR CONCLUSION

Having regard to the considerations set out in this letter and the information available to us as at the time of issuing this letter, we report that the proposed terms of the loans (and in particular the proposed interest rates) reflect normal commercial terms and will not be prejudicial to the interests of LAP and its minority Shareholders.

7. LIMITATIONS

The on-going validity of our conclusion will depend on the ability of the parties to ensure compliance with the proposed terms when agreed. LAP should ensure there are regular reviews to monitor the process and to facilitate on-going compliance with the set down policies.

Because the above methods or procedures do not constitute either an audit or a review carried out in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements, this exercise does not constitute an assurance under those frameworks.

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Yours truly,

A handwritten signature in blue ink, appearing to read 'Seun Adu', is written over a light blue rectangular background.

Seun Adu

For: PricewaterhouseCoopers Ltd



APPENDIX 1

Details of the restructured loan

(a) The previous loan of USD 220m is to be restructured into long term loans and one short term loan.

The key terms of the long term portion of the loans are summarized below.

Particulars	Key Terms
Borrower	Lafarge Africa Plc
Borrower country	Nigeria
Lender	Caricement B.V.
Lender country	The Netherlands
Date of agreement	26 September 2018
Start Date Considered	26 September 2018
End Date / Repayment Date	26 March 2026
Tenor	7.5 years
Moratorium period	2 years ending September 27 2020. No repayment of principal or interest in this period.
Principal	USD 205,000,000 (split into 7 tranches comprising USD 25 million each for five tranches; and USD 30 million and USD 50 million for the remaining two tranches.
Currency	USD
Interest rate	12 month USD libor +6.35% during moratorium period and 3month USD libor + 6.35% after moratorium
Seniority	Ranked pari passu with other unsecured debts.
Secured / Unsecured	Unsecured
Purpose	Funding for general corporate purposes.



The key terms of the short term portion of the loans are as follows:

Particulars	Key Terms
Borrower	Lafarge Africa Plc
Borrower country	Nigeria
Lender	Caricement B.V.
Lender country	The Netherlands
Date of agreement	26 September 2018
Start Date Considered	26 September 2018
End Date / Repayment Date	26 September 2019
Tenor	1 year
Principal	USD 15,000,000
Currency	USD
Interest rate	Libor + 5.71%
Seniority	Ranked pari passu with other unsecured debts.
Secured / Unsecured	Unsecured
Purpose	Working capital bridge loan



(b) The previous loan of USD 88m is to be restructured as follows:

Particulars	Key Terms
Borrower	Lafarge Africa Plc
Borrower country	Nigeria
Lender	Caricement B.V.
Lender country	The Netherlands
Date of agreement	26 September 2018
Start Date Considered	26 September 2018
End Date / Repayment Date	26 March 2026
Tenor	7.5 years
Moratorium period	2 years ending September 27 2020. No repayment of principal or interest in this period.
Principal	USD 88,000,000
Currency	USD
Interest rate	12 month USD libor +6.35% during moratorium period and 3month USD libor + 6.35% after moratorium.
Seniority	Ranked pari passu with other unsecured debts.
Secured / Unsecured	Unsecured
Purpose	Funding for general business purposes



(c) The previous loan of USD 7.197m is to be restructured as follows:

Particulars	Key Terms
Borrower	Lafarge Africa Plc
Borrower country	Nigeria
Lender	Caricement B.V.
Lender country	The Netherlands
Date of agreement	28 November 2018
Start Date Considered	28 November 2018
End Date / Repayment Date	27 December 2018
Tenor	1 month
Principal	USD 7.197 million
Currency	USD
Interest rate	1 month USD Libor + 5.71%
Seniority	Ranked pari passu with other unsecured debts.
Secured / Unsecured	Unsecured
Purpose	Funding of general corporate purpose/working capital requirement

(d) An additional loan of USD 20m is to be taken. The key terms are summarized below.

Particulars	Key Terms
Borrower	Lafarge Africa Plc
Borrower country	Nigeria
Lender	Caricement B.V.
Lender country	The Netherlands
Date of agreement	26 September 2018
Start Date Considered	26 September 2018
End Date / Repayment Date	26 September 2019
Tenor	1 year
Principal	USD 20,000,000
Currency	USD
Interest rate	Libor + 5.71%
Seniority	Ranked pari passu with other unsecured debts.
Secured / Unsecured	Unsecured
Purpose	Working capital bridge loan